governmental, court, school, and association law libraries, have been listed by the American Association of Law Libraries. Thirty-four of the states have established legislative reference libraries, and most of the cities in the chief group of municipalities now support similar bureaus adapted to their own special local needs. Their differences of method and of scope are pointed out by Mr. Kaiser, who adds his own informing comment, criticism, and suggestion. He also quotes liberally from recognized authorities on the making and revision of law, their views on the lack of expert advice hitherto, and the need of critical data and information as to world-experience in order to secure scientific legislation. The conclusion reached is that ill-advised and ill-assimilated legislation, while doubtless influenced in part by popular prejudices, is more often due to lack of opportunity to secure and study authoritative information. The multiplication of reference bureaus dealing each within its own province with the increasingly complex problems of state or city, and not only aiming to furnish recognized and important economic and social principles to lawmakers, but attempting as well through experts to give proper legal form to statutes and ordinances, is therefore regarded as ultimately furnishing a partial remedy at least for the ills now afflicting the statute books.

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The Operation of the New Bank Act. By THOMAS CONWAY, JR., and ERNEST M. PATTERSON. Philadelphia: J. B. Lippincott Co., 1914. 8vo, pp. 431. $2.00 net.

The authors of this volume have performed a real public service in connection with the reorganization of our banking system. In less than a month from the passage of the currency act in December this book was available for the use of teachers, bankers, and business men generally; and there can be little doubt that it has been of much assistance in acquainting the country with the nature and scope of the new banking system and especially with the problems arising in connection with its inauguration. The writing of the book had been begun about six months before the passage of the act, thus making possible its early appearance. It is evident that a book thus hastily and prematurely written must necessarily prove of only temporary service; and the authors have frankly recognized its ephemeral character.

The method of exposition employed has been to present, first, a general summary of the law, and then to analyze it under the following

main divisions: Ownership; Control; Rediscounts; Foreign Acceptances; Bank Notes; Inflation; Open Market Operations; Control of the Gold Supply; Government Deposits; Reserves; Clearings and Collections; and Effects upon the Different Classes of Banks. An appendix contains the complete text of the act.

The authors have followed a commendable policy in presenting conflicting opinions upon moot questions, and in giving liberal quotations from prominent bankers on important points. Indeed there is much internal evidence that the writers have drawn very heavily from correspondence and conversation with the banking fraternity—an admirable method for the problem in hand.

The discussion of bank notes appears to the reviewer particularly well handled. It is shown that when the new system is in operation we may have three classes of bank notes in our currency system: some of the present bond-secured notes issued by individual banks; bond-secured notes issued by federal reserve banks, designated by the authors "reserve bank notes," and federal reserve notes issued on the security of commerical paper. The problems in connection with the redistributing of the reserves of the country are also well developed. Elaborate arithmetical computations have been made to show what changes will result in the central reserve and reserve cities as compared with the country banks. The discussion of the future of New York as a financial metropolis is interesting, though, properly enough, no definite conclusions are reached. It is believed that the prohibiting of the 2 per cent interest now paid by New York banks on bank deposits will make cheap call money on an extensive scale a thing of the past. It is pointed out, however, that this will probably not spell the death of stock-exchange speculation through the use of call money. It may merely mean higher call rates; for it is thought that abundant money for stock-exchange loans may be secured through the rediscount of the assets of New York banks by out-of-town banks at 3 or 4 per cent. These funds would then be available for call loans at 5 or 6 per cent. Whether such a practice could be prevented by the Federal Reserve Board without undue interference with legitimate banking operations time alone will disclose.

It is to be regretted, in view of the widespread public interest in the question, that nowhere in the book appears a separate discussion of the adequacy of the new law to prevent financial panics. The various provisions that touch the panic question are of course set forth in connection with the chapters to which they particularly belong; but it would have

been a distinct gain if all these provisions had been brought together and a judgment rendered as to the net result.

The writing of chap. i—"Defects of the Present Banking System"—was a grave mistake. It is so woefully wanting in grasp and consistency that it well-nigh condemns the book for the reader who begins with this chapter. On p. 1 the national banking system is said to have "been reasonably satisfactory in operation." It was fundamentally sound. On p. 3 we are told that "it has been apparent for many years that the whole system was defective." It comes as distinct news to those who have read the financial journals of 1907 to learn that "there were no conditions which would cause a panic in Minnesota, in the Middle West, in the South, in New England, or in any part of the country except New York City" (p. 9). Practically all of our panics, likewise, have not been caused by any inherent unsoundness in business (p. 4). We are much interested in reading on p. 5 that the panic of 1907 was almost entirely a bankers' panic, that it "was the result of unwise management of banking affairs"; but when we read on p. 17 that the banking and currency problem "has not arisen from mismanagement of our banking institutions" we are only much confused.

Another serious fault is the apparent failure of the authors to understand the real nature of commercial bank deposits. A bank deposit, it would seem, can be created only by an actual placing of money or *funds* in the bank. On p. 10 it is stated that "the major portion of a bank's capital and of the funds of the depositors is invested in short-time commerical paper; . . . . in high-grade bonds, ... and other securities." Again, "A bank cannot earn dividends by keeping the funds of its depositors lying idle in its vaults" (p. 10). Other similar statements in various connections might be cited.

On the other hand, the idea that the deposits of a commercial bank arise mainly from discounts and loans does not appear anywhere in the book. The correspondence between loans and deposits would evidently be explained by the thought that A's deposit is merely B's loan. One result of this conception of the nature of deposits is to lead to the conclusion that "a bank whose depositors are made up of foreigners who cannot read English or who do not understand the customs of the country would need a larger reserve than an institution dealing with less excitable people" (p. 5). This is a good working principle with savings accounts; but it has little relevancy to the problems of commercial banking.

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